JANUARY 27, 1948

Town Meeting

BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

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THE TOWN HALL

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Should the President's Tax Plan Be Adopted?

Moderator, GEORGE V. DENNY, JR.

Speakers

ALBERT GORE — HARRY P. CAIN

LEON H. KEYSERLING — SAMUEL J. LASSER

(See also page 12)

COMING

—February 3, 1948—

Is Big Business Too Big?

—February 10, 1948—

How Can Peace Be Maintained in Palestine?

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"Should the President's Tax Plan Be Adopted?"

THE BROADCAST OF FEBRUARY 3:

"Is Big Business Too Big?"

THE BROADCAST OF FEBRUARY 10:

"How Can Peace Be Maintained in Palestine?"

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Town Meeting

BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR

GEORGE V. DENNY, JR., MODERATOR

JANUARY 27, 1948 VOLUME 13, No. 40

Should the President's Tax Plan Be Adopted?

Moderator Denny:

Good evening, neighbors. Before we get on with tonight's program, I want to thank many thousands of you for your magnificent response to last week's program. All week we've been busy reading your letters and learning more about the kind of programs you want. I wish we had time to discuss your reactions and suggestions, as I assure you they were extremely valuable to us, I want you to know that we appreciate them deeply.

However, we have another big problem before us tonight — a problem of how we shall finance the biggest business in the world, business in which you and I, all of us, are stockholders—the Government of the United States of America.

The Congress is actively debating this subject. Pressure groups are busy on both sides. Just around the corner is a big national election, and we can't expect politicians to be unmindful of this important fact.

Another condition we must bear in mind is the fact that Congress is predominantly Republican while the Administration is Democratic The Republican leadership through Chairman Knutson of the House Ways and Means Committee, where such bills originate, proposes an over-all reduction in income taxes of more than six billion dollars on a graduated scale, giving a greater percentage of relief to those in the lower income brackets and less to those in higher income brackets. In fact, Mr. Knutson's bill passed the Committee this afternoon and goes to the floor of the House for debate this week.

President Truman, in his State of the Union message, proposes no general reduction in income taxes, but suggests a $40 rebate to every taxpayer and dependent, with the understanding that this loss of income shall be made up by replacing the excess profits tax

on corporations which he estimates will bring in approximately $3,200,000,000.

Congressman Albert Gore of Tennessee and Mr. Leon H. Keyserling, economist and vice chairman of President Truman's Tax Council of Economic Advisors, favor the President's tax plan.

Senator Harry P. Cain of Washington and Mr. Samuel J. Lasser, tax economist of Jamestown, New York, oppose the President's plan and favor the Republican measure.

So let's hear first from the gentleman from Tennessee representing the district of former Secretary of State Cordell Hull, who was the originator of the income tax. Congressman Gore is a hard-hitting Democrat who was admitted to the bar in his home state in 1936, served as a Commissioner of Labor for the State of Tennessee for the next two years and was elected to Congress in November, 1938, and has been returned to his post there ever since. He's now a member of the House Appropriations Committee. Congressman Albert Gore. *(Applause.)*

Congressman Gore:

Good evening. The foremost concern for each of us must be the financial integrity of the United States Government, for without that neither our position in world affairs nor our way of life here at home would long endure.

I would enjoy the luxury of supporting big tax reductions for everybody, and I assure you i would be the easier course an perhaps the more politic course t follow. But as I see it, we mus steadfastly hew to the line of wha is best for the national interest i the long run. To do this, we mus face the facts, not of yesterday, bu of today and tomorrow.

What are some of those facts We have a stupendous war deb that could become very dangerou if handled irresponsibly. Two hundred and fifty-seven billion dollar is about $7,000 for your family my family, and every other American family.

Eighty-five million people hol government bonds and the vault of our financial institutions ar full. Confidence supports ou monetary system. Destroy that confidence and the system is gon What would better please th Communists than the resultin chaos?

We have obligations for the future as well as of the past. Ho pitals are filled with veteran Moreover, peace is not yet secur anywhere in the world, so we mus keep America strong and provid leadership toward world stabilit and peace.

These two things—carrying th cost of a previous war and tryin to prevent another — require approximately 80 cents out of ever dollar recommended in the Pres dent's budget. Faced with suc debts and unavoidable costs, plu the cost of the Marshall Plan, ou

financial structure cannot be sound unless it has a foundation of governmental revenue sufficient to meet these costs and make a substantial payment on the public debt.

There are two tax proposals now before Congress, the Knutson Bill and President Truman's recommendations as embodied in the Dingell Bill. In Washington today, the House Ways and Means Committee turned down the President's proposal and voted out the Knutson Bill with every Republican voting for it and no Democrats supporting it.

I hope that, instead of being academic and unrealistic tonight, my colleagues in discussing this question will, while telling you why they oppose President Truman's tax adjustment program, tell you also why the Republicans almost unanimously support the Knutson Bill.

As I see it, the choice is clear. The Knutson Bill proposes to reduce our Government's income by more than six billion dollars per year, perhaps more than seven. The Secretary of the Treasury has said that such a reduction would sink us two billion dollars deeper into debt.

I would like to ask my friend, Senator Cain, who will follow me tonight, if he thinks that would be in the interest of the national welfare.

On the other hand, the President proposes that no over-all reduction in government revenue be made at this time. Yet the high cost of living has brought such real hardships to so many, many people that President Truman has recommended a tax adjustment, not an over-all reduction, as I said, but rather a tax shift, a shift of a portion of the burden from the backs from those least able to pay to those unquestionably most able to pay. He recommends a cost of living credit that isn't at all complicated.

It would work this way. When you and I figure out our taxes, we would just subtract from our taxes $40 for ourselves and $40 for each of our dependents. If you have two dependents, as I have, you would subtract $120 from your taxes as your cost of living credit.

To make up for this loss in revenue, President Truman recommends a reasonable excess profits tax on the comparatively few corporations that are now harvesting exorbitant profits largely because of war-created scarcities and demands. The rates would be considerably less than wartime rates and would affect only 22,00 out of our more than 360,000 corporations.

In all justice, these fortunate corporations that are making abnormally high profits can more easily pay taxes than can the people of small income who are having to pinch hard their pennies to meet the rising cost of living.

The President's tax proposal is

just and equitable. It would treat all taxpayers fairly, but the Knutson Bill would give more than one-third of all tax reductions to less than one-fourteenth of the taxpayers. Is that just? I should say not. *(Applause.)*

Moderator Denny:

Thank you, Congressman Gore. Strangely enough, our next speaker was also born in Tennessee just a year before his colleague in the House, but his family moved to Tacoma, Washington, in 1911, so the boy who was to become a mayor of his city and a United States Senator grew up in that busy industrial city of Tacoma within full view of one of the most inspiring sights in the world, glorious Mt. Rainier in the State of Washington.

Prior to his election to the Senate in 1946, Harry Cain served for three years in the Army, attaining the rank of colonel. He is now a member of the Senate Banking and Currency Committee. Senator Harry P. Cain, Republican of Washington. Senator Cain. *(Applause.)*

Senator Cain:

In his recent State of the Union Message, the President of the United States said, "On this occasion above all others, the Congress and the President should concentrate their attention *not upon party,* but upon country."

This imperatively required American 1948 need was expressed early in the President's speech. Its intent inspired every legislator; its purpose gave hope to every citizen. Minutes later the President despoiled this healthy creed when he proposed his $40 tax program.

We thoughtfully discuss it tonight but only because the President's proposal ought to be explained to the American public as being completely antagonistic, injurious, and harmful to our Nation's future.

The tax proposal was simple enough. The President encouraged a tax cut of $40 for every taxpayer and dependent and for increased corporation taxes to replace the estimated $3,200,000,000 loss from individual returns. For the uninformed, this proposal was designed to be a sugar-coated and attractive pill. A pill it is but entirely indigestible.

No sooner had the President advanced his tax-cut bait than he called upon business to spend at least 50 billions of dollars in the near future on industrial expansion and pointed with understanding distress and alarm at our continuing the inflationary spiral. He said, in unmistakable terms, that something must be done about the latter.

How this nation can enlarge its industrial capacity and curtail the agony which results from inflation, present or future, by increasing purchasing power, raising prices and curtailing production, is something most Americans won't, can't

and don't understand. Yet these results are undeniably part and parcel of the President's proposal which he made for what he termed the common good.

Figure this tax quackery out for yourselves. The President proposes to put $3,200,000,000 of additional buying power in the pockets of consumers in 1948.

What would this do to prevailing high prices? The resulting bidding for scarce items would drive prices higher and higher. Is there a boy or girl in America who doesn't agree with this declaration of fact.

So much then for the benefits that you, the individual consumer, would get out of the President's offer of a tax gift. Your $40 tax bonus would be eaten up by an accelerated inflation.

On the other side of the Nation's economic ledger, the President's proposal would tend to shorten short supplies by curtailing production. We hear much these days about unwarranted profit levels and earnings, but our President pleads for industrial expansion which can only come from profits.

Reduce these profits by an arbitrary $3,200,000,000 and future and needed expansion for many industries would fly out the window. Profits in many an industry would vanish. Let that happen in America and disaster will happen. Plants would close down. Production would fall off. Demand would force prices higher and unemployment would again be an unwelcome skeleton in our national closet.

There is no place for a tragedy like this in a day when your public treasury is burdened with unprecedented foreign and domestic commitments.

What we most need in America today, and for years to come, in my opinion, are more jobs, new fields for profits of all kinds, the growth of new and energetic enterprises, an economy of abundance, not scarcities, but none of these requirements can be met or approached by adopting the President's tax proposal which is a piece of pure, political chicanery, and unworthy of the President's own principles.

The President's tax approach is morally and economically wrong. It is a demagogic trick, intended to temporarily convince citizens that they can get something for nothing. It places taxes, the most difficult and complicated subject with which any free nation grapples, into partisan politics.

It adds to our struggle between classes by pretending to help the poor, by lambasting the rich. It is class legislation of the worst character. By any name, class legislation is bad and inexcusable legislation.

Nineteen forty-eight is an election year. The President could have been thinking of nothing else

when he dreamed up his fantastic $40 tax reduction proposal.

The President's proposal was, in my opinion, and is, economic madness, economic sadness. It is completely deserving of the repudiation it will receive from both the Democrats and the Republicans who make up your American Congress. *(Applause.)*

Moderator Denny:

Thank you, Senator Cain. Well, there seems to be a slight difference of opinion among these legislators.

When a President of the United States makes a proposal for legislative action, it frequently bears his name. But a President of the United States, like a President of any other big enterprise, must have advisors, and it's hardly conceivable that the vice chairman of the President's Council of Economic Advisors didn't have something to do with this present proposal. At least, he's speaking on behalf of it here tonight.

Leon H. Keyserling, born in South Carolina, is a prominent New York attorney, a graduate of Columbia University and Harvard Law School and later taught economics at Columbia. He was a legislative assistant to Senator Robert Wagner of New York for the next four years and served as consultant to the Senate Committee on Banking and Currency, and to the Senate Postwar Committee. He was Deputy Administrator and General Counsel for the United S Housing Authority, 1938-1942, Acting Commissioner in 1941 Mr. Keyserling, will you tel why you support the Presid tax plan? Mr. Leon Keyserl *(Applause.)*

Mr. Keyserling:

Thank you, Mr. Denny. I rather bewildered by the sug tion of Senator Cain that the question is political. I am n politician and know little of tics. Taxation, for me, is a matter of national policy.

Our guide to policy should the greatest good for the grea number of the people. In a dem racy, that kind of policy sh be good politics as well, if issues are made clear to the peo I hope that the discussion ton will help to add to that clarit

I favor President Truman's plan. It is beneficial to the a age American family, good for whole economy, and sound gov ment financing.

Two-fifths of all American f ilies have incomes of less t $2,000 and more than half h incomes below $3,000. With p what they are, this is not eno to pay current taxes and m tain an American standard of ing for a family of four or

The President's tax plan wo reduce the taxes of a family five by $200, if it now pays much taxes. Getting along wo still be no bed of roses, but

is a lot of money for a family of average income.

The President's plan provides reductions where they are needed most. The $3,000 family would get an 84 per cent reduction, contrasted with only 57 per cent under the Knutson Bill. The $50,000 family would get a 35 per cent reduction under the Knutson Bill and practically no reduction under the President's plan.

The larger the family is, the more tax reduction it would get. This is fair. It costs more to feed more children.

The President's tax plan would also strengthen our whole economy. Every American family, no matter what its income, would thereby benefit.

Inflation, to which Senator Cain has referred, is dangerous because many prices and profits are swollen, while consumers are not earning enough to buy the output of industry and agriculture without excessive resort to savings and to credit. If these savings and credits begin to dry up, a depression would be the result.

The President's tax plan will reduce some income which has become too big through excessive prices and excessive profits. It will increase some income which has become too small. This is partial insurance against a depression. It is a policy for the maintenance of prosperity.

Higher taxes on excessive corporate earnings will not cause higher prices. If excessive profits are taxed, there will be less incentive to charge excessive prices and to earn excess profits. Besides, the President advocates price control, which I think is the only real way to stop rising prices.

Low income families are the chief victims of inflation. Taxing them too much is neglecting the patient instead of curing the disease. The President's plan is not inflationary, as Senator Cain has claimed, because it will not increase total money in circulation. It will add income where it is needed, and withdraw it where it is not needed.

Neither will the plan hurt production. In 1947, corporate profits after taxes were 17 billion dollars, contrasted with 12.5 billion in 1946. Even with the proposed excess profits tax, corporate income would be ample to sustain the 50 billion dollars in productive investment over a period of several years, which the President has advocated.

My final reason for supporting the President's tax plan, that it represents sound and prudent financial policy for the Government, has been fully covered by Congressman Gore.

On the other hand, the Knutson proposal of more than six billion dollars of tax reduction for everybody now would not help those most who need help most. It would not protect the financial position of the Government. It would not

fight inflation. Therefore, by every test, it is unwise at this time.

For the three reasons that I have outlined — the best interests of the average American family, the best interests of our whole economy, and the best interests of the United States Government, which is our Government—I favor President Truman's tax plan. *(Applause.)*

Moderator Denny:

Thank you, Mr. Keyserling. Well, now we're going to step up above the Mason-Dixon Line, into western New York. All three of the previous speakers and the moderator have come from the south. Tonight, we have a gentleman on the program who will protest that he is not an expert, although he has been engaged in the practice of tax accounting for over 30 years in the vicinity of his home town, Jamestown, New York, on the shores of beautiful Lake Chautauqua.

In any case, he knows the effect of our tax program on both farmers and businessmen of western New York and Pennsylvania, which is a sector rich in farming as well as industry. We're happy to welcome to Town Meeting Mr. Samuel J. Lasser, C.P.A. of Jamestown, New York. Mr. Lasser. *(Applause.)*

Mr. Lasser:

Thank you. By way of introduction, I do want to make one correction in Mr. Keyserling's speech, in conjunction with th individuals, those married peo who have four or five in family. If you have an incom $2,000 or $3,000, which is average, as he shows us, there be no tax to you under any of plans that are proposed toni *(Applause.)*

Back in reconstruction d northern carpetbaggers off each of our colored brethren bait of 40 acres and a mule. T time the offer to all of us is and no mule.

A good many people who h no ax to grind, feel that Mr. T man's proposal is merely polit hocus-pocus. I wouldn't k about that. I'll just treat it tax proposal, not politics. Keyserling, the President's pla not a tax-reducing plan. It poses to collect in taxes just much as before.

Don't forget that the tax r now on individuals are near dizziest heights that ever exi in the country's history. Th rates were justified when we at war and our annual expendi were 100 billion dollars. They not be justified when we ar peace and our annual expendit are, at most, 40 billion dollar

Any plan that does not inv a substantial reduction in our t is indefensible. No amount talk or funny economics or b boos can overcome that sin fact. I am also mindful of family's living costs.

The proposal is based upon an stimate of this year's surplus. udging by the past, Mr. Truman oesn't know what the surplus will e. For example, a year ago in is budget message, he estimated surplus of less than two billions. ctually, it was almost five billion. Now he is guessing that it will e 7.5 billions and almost five illions for 1949.

It might well be more for both ears if prior results are followed. fter all, this is quite a country. The tax collectors will take bout 23 billions from individual xpayers as well as about 7 bilons in excise taxes this year—a igger amount than in any preious year of peace or war, and, dmittedly there will probably be bigger surplus than ever before. Well, how much of a surplus ust we have to justify a tax cut, nd if a tax cut, on what basis? Why $40 across the board?

It's just a figure. We are each get a $40 credit for ourselves nd our dependents. But some ool-pulling goes with this. It is roposed to take this credit back uickly through an increased tax n corporations. As for the raised rporation tax, this is the old cess profits tax again.

The President signed the repeal this tax in 1945 because it was road block to reconversion and e expansion of business. Why n earth would it be a good thing ow? The answer is that it ouldn't.

Who are the corporations anyway? You and I. When a corporation pays anything, it comes out of the pockets of the people who own the corporation. The corporations are owned by the mass of people. American Telephone and Telegraph Company, for example, has several hundred thousand stockholders. We little fellows are interested in the corporations, not only through direct purchases of stock, but also through our bank deposits or insurance policies, since the banks and insurance companies lend our money to the corporations, or invest in the corporations. If corporations' taxes are raised, it will reduce net earnings, and, therefore, dividends. The Government will lose because there will be less dividend income to tax.

So the people get a second bite taken out of them: one, the higher corporation tax, which will cut their income, and two, their own personal income tax.

To lop off individual taxes and take it right back from corporate taxes is like the story of a fellow who said that in order to save express charges, he cut all the buttons off the suit. Then he said, "P.S. You will find the buttons in one of the pockets of the suit."

Individuals better realize this—Mr. Keyserling as well—increased taxes on corporations almost always lead to higher prices. That is especially true in a sellers' market which we have at present. So

again, we consumers pay through the nose. The sound economists agree that the way to get prices down is through increased production. More production can be stimulated by lower taxes, never by higher taxes. *(Applause.)*

Moderator Denny:

Thank you, Mr. Lasser. Well, you fellows have just been walking around the edge of the ring
sizing each other up. Now, c
on out in the center of the r
and let's have a little discuss
before we let the audience in
this question.

Congressman Gore, we hav
heard from you for a while. W
you lash out here?

Congressman Gore: Well
wondered if the gentlemen w
talking about the same bill. (

THE SPEAKERS' COLUMN

ALBERT ARNOLD GORE — Congressman Gore has been Democratic Representative from Tennessee since 1936. Born in Granville, Tennessee, in 1907, he received a B.S. degree from Tennessee State Teachers College and a law degree from the Y.M.C.A. Night Law School in Nashville. For four years he served as county superintendent of education in Smith County, Tennessee. For a year prior to his election to Congress he was State Commissioner of Labor. He is a member of the House Appropriations Committee.

HARRY P. CAIN — Republican Senator from the State of Washington, Harry P. Cain had been Mayor of Tacoma since 1940. He was born in Nashville, Tenn., in 1906, but moved with his family to Tacoma in 1911. Following elementary school he attended Hill Military Academy at Portland, Oregon, where he was named cadet captain, the highest honor given a graduating senior. He received his B.A. degree from University of the South at Sewanee, Tennessee.

Senator Cain returned to Tacoma in 1929, where he entered the trust department of the Bank of California. Following several promotions he was in charge of the business department of the bank when he resigned in 1939 to begin a campaign for Mayor. Elected in 1940 and again in 1942, he left the position in 1943 to become a Major in the United States Army. He saw action in Sicily and Salerno, and served with the Allied Military Government in Italy. In Naples he headed the Civil Administration and Public Relations Departments.

In March, 1944, he was called to England as a staff officer under General Eisenhower and was raised to the rank of Lieutenant Colonel in August, 1914. Later, on the Continent, he received a
battlefield promotion to full colonel. H
directed the administration and rehabil
tation of scores of war-torn cities an
received many war honors and awards.

Following the war, Senator Cain spe
some time visiting England, Scotlan
Germany, Holland, Belgium, Franc
Austria, and Czechoslovakia.

Elected to the Senate, in Novembe
1946, Senator Cain took office on D
cember 26, to fill the vacancy created b
the resignation of the retiring Senato

LEON KEYSERLING — Vice chairman
President Truman's Council of Econom
Advisors, Mr. Keyserling is a lawyer an
an economist. He was born in Charle
ton, S.C., in 1908. With an A.B. fro
Columbia and an LL.B. from Harvard h
was admitted to the New York bar i
1931. Following a year as an assista
in the department of economics at Colu
bia, he became an attorney in the Agr
cultural Adjustment Administration. Fro
1933 to 1937, he was secretary and leg
lative assistant to Senator Robert
Wagner.

Mr. Keyserling has served in sever
capacities with the U. S. Housing A
thority, the Federal Public Housi
Authority, and the National Housi
Agency. He has written many pamp
lets, essays, and articles on housing, leg
subjects and the like. In 1944 he w
$10,000 second prize in the Pabst Po
war Employment Awards for his essa
"The American Economic Goal: A Pra
tical Start Toward Postwar Full Emplo
ment."

SAMUEL LASSER—Mr. Lasser, a tax a
countant with the firm of Seidman
Seidman, of Jamestown, New York,
also tax advisor to Representative Dan
A. Reed of the House Ways and Mea
Committee.

thought it was so little as to be laughable, like the mule and the carpetbaggers and the other predicted dire consequences if it were passed.

Senator Cain, you said that if the President's proposal on excess profits should be passed, that the profits of many corporations would dry up. I wish you would just explain the provisions of the President's proposal on excess profits tax, and tell us how it would dry up the profits of any corporation.

Senator Cain: The President's proposal, in my opinion, is headed in the direction of taking away from people in this country any incentive or desire to invest what people generally call "risk capital." I think the whole program goes in the wrong direction and, as my colleague has suggested in that connection, when are we going to find a level beyond which we are not going to assume we can get more and more and more out of corporations? In my opinion corporations are not taxpayers. They collect taxes for the good of the rest of us.

Mr. Denny: Congressman Gore?

Congressman Gore: Well, that statement still doesn't square with the provisions of the bill. *(Applause.)* The bill proposes only to levy additional taxes on those profits which are far and away above either a normal or a fair return upon invested capital or far and away more than any normal earnings. *(Applause.)* I would like to ask the other gentleman if he will explain the Senator's position.

Mr. Lasser: I'll explain my own position. I speak for myself. I do know that under the present rate of tax, corporations are paying 10 billion dollars in taxes. Now, if you increase these taxes, not by a number of buttons or peanuts, you'll increase them by $3,200,000,000, which means less dividend income for stockholders and when stockholders receive less dividend income it means less taxes for the Government because, as you know, dividends are subject to the tax once again. In other words, the Government is taxing the same income twice.

Mr. Denny: We're chasing this dollar, now. Mr. Keyserling, come along in here. What's your comment on that.

Mr. Keyserling: While we're chasing the dollar, I wanted to ask Mr. Lasser a question about his economics because he said that after all taxing the corporation was the same as taxing the individual, because all the individuals own the corporations. Now, by the same token, the people oughtn't to care much about what high prices they pay, because the high prices go to the business and add to the profits. *(Laughter and applause.)* It all ends up the same way anyhow, so I'd like to have a little further explanation of Mr. Lasser's economics on this point

of the corporation and the people being one and the same thing. *(Applause.)*

Mr. Lasser: We have a funny twist in our corporation tax laws; namely, this: the corporation makes an earning, it pays a tax. It distributes those earnings to the individual, the individual pays a tax again. There are situations where you could pay 100 per cent of your earnings in the form of taxes, both as a corporation and as an individual. It isn't chasing the dollar; it could mean an entire dollar spent for taxes. *(Applause.)*

Mr. Keyserling: Well, that doesn't exactly clarify the question I asked, but the question is not whether the corporation could pay out all that they earn in taxes but whether they do. Now in 1929 they earned 8 billion dollars after taxes. In 1946 they earned 12.5 billion dollars after taxes. In 1947, they earned 17 billion dollars after taxes—more than ever before on record; paid more out in dividends than ever before on record; retained more earnings after the payment of dividends than ever before on record; made larger investments in business and production than ever before on record; and with their retained earnings paid for a higher part of that investment than ever before on record, so I think they're doing reasonably well. *(Applause.)*

Mr. Lasser: It might be well to explain what is meant by corporation earnings. I'll refer once again to Mr. Keyserling's report—for which to some extent he is responsible—which was made by the President before the Congress in just the last ten days.

The President in his report says very distinctly that corporation profits are inflated. They are inflated to the extent that merchandise inventories are valued at present prices. There is an inflation of over 6 billion dollars in merchandise inventories as well as an inflation of costs on the production of plants and equipment of another 4 or 5 billions. So you have your remaining profits that weren't distributed by the corporation on which another tax has been paid as a dividend—inflated profits, on which the corporation had paid the tax once. So that we have a profit which, in effect, may overnight disappear.

Here are the President's comments on that particular phase of profits. The President stated in his economic report to the Congress: "The over-all ratios of inventories to sales are still below prewar ratios. Liquidation of inventories in case of a decline in sales raises a greater potential threat to the maintanance of production and employment than has been the case at any time since the war began." So I assume that that point was considered when this entire tax reform was taken into consideration.

Mr. Denny: Thank you, Mr. Lasser.

Congressman Gore: I'm glad to find that, at least in one respect, the gentleman agrees with President Truman. You know we haven't yet settled this question as to how an excess profits tax which the President has proposed would dry up profits from any corporation. Neither of the gentlemen have touched the bill topside nor bottom in that respect.

Let us take an example: A corporation with a million dollar invested capital. The President's proposal wouldn't take one additional penny in taxation until that corporation had earned more than 15 per cent return upon its investment, after all of the inflated salaries, after all of the deductions, after all of the markdowns on inventories. And, mark you, I have had a little experience with this inventory business—I have never known a businessman yet to lose money because he over-estimated his inventory. *(Applause.)*

Mr. Denny: Thank you. Mr. Lasser or the Senator, who is going to comment on that? Mr. Lasser, yes.

Mr. Lasser: I think I know my business people. I know they follow the laws of the United States Government. They have certain methods under which they can price inventories, and when the Government says price it at cost of market, they price it at cost of market, and I'm sorry to see Congressman Gore impugn the integrity of thousands of business people who have been honest.

Mr. Denny: All right. Congressmann Gore?

Congressman Gore: I'm not impugning anybody's integrity. I know what the law is, too, The gentleman is claiming now, not that they've lost money because they claim that they paid more for the inventory than they did, he's claiming now that they might lose money because we might have a depression and the bottom drop out. Well, the Knutson Bill which these gentlemen are defending is just the kind of crazy philosophy that worked so good that it brought on 1929 and the other defeat of the Republican party in 1932. *(Applause.)*

Mr. Denny: Thank you, very much. Now while we get ready for our question period, I'm sure you, our listeners, will be interested in the following message.

Announcer: You are listening to America's Town Meeting of the Air, originating in Town Hall, New York, where we are discussing the question, "Should the President's Tax Plan Be Adopted?" We are about to take questions from the audience. If you would like a copy of tonight's discussion, complete with the questions and answers to follow, you may secure one by sending 10 cents to Town Hall, New York 18, New York. If you would like to have the next eleven issues of our Town Meeting Bulletin starting with this week,

enclose $1.00; for twenty-six issues, enclose $2.35; or for a full year, enclose $4.50. Remember the address, Town Hall, New York 18, New York. And please allow about two weeks for delivery.

Your response to our suggestion that you consult your local library to read about both sides of the Marshall Plan was most favorable. Numerous requests for material on the subject has indicated a healthy interest in our suggestion. Both librarians and listeners have welcomed the idea and we want to urge you again to ask your local librarians about the important issues program now being promoted by the American Library Association.

Your library has a wealth of material on all Town Meeting topics. You will find your librarian most anxious to help you. Special information is available for this project to promote interest in your community. To find out more about tonight's subject consult your librarian. Be sure to ask for material on both sides of the question. That is the Town Meeting way of arriving at a well thought out conclusion. Identify yourself as a regular Town Meeting listener.

QUESTIONS, PLEASE!

Mr. Denny: Well, gentlemen, I hope you're ready for the questions from this representative Town Hall audience. Here's a question over there in the corner of the hall.

Man: Congressman Gore. In order to increase production and unemployment, why not apply the single land tax as advocated by Henry George in his book *Progress and Poverty?*

Mr. Denny: Well, well. Old Henry George has come to us in the single tax. *(Laughter.)* Why not employ the single tax to increase production and employment?

Congressman Gore: Because our economic situation is so complex. Because the various groups have such varied interests and multiplied pressures and diversified interests that it just wouldn't fit the case. It would bring more chaos than it would solve.

Mr. Denny: Thank you. The gentleman in the blue shirt.

Man: This is for Senator Cain. Senator, if you don't reduce our tremendous national debt now, in time of our greatest prosperity, when are you going to reduce it?

Senator Cain: We're going to start reducing it now. I just take for granted, sir, that the Republican Congress—its majority—will in keeping with its openly declared policy reduce the national debt this

year by a figure approximating $2,600,000,000.

Mr. Denny: Thank you. Congressman Gore has a comment on that.

Congressman Gore: Well, the Republican Congress passed the Knutson bill last year and if the President had not vetoed it and if Congress had not sustained it, instead of having a surplus in fiscal '47, we would have again had deficit financing and increased the debt rather than lowered it. Likewise, this time the Secretary of the Treasury has said that if this present Knutson bill passes we will be sunk two billion dollars deeper in debt, but it's not going to pass because I think it will be vetoed. *(Applause.)*

Mr. Denny: Mr. Lasser?

Mr. Lasser: I just want to say that the surplus for the year—this year ending — will be about 7.5 billion, at least that's the President's figure.

Mr. Denny: What's going to become of it?

Mr. Lasser: If we passed the Knutson Plan a year ago, there would have been a tax reduction of about 5 billion, there still would have been a surplus of two and half billion dollars to pay those debts. There would not have been any deficit financing. *(Applause.)*

Mr. Denny: All right. Mr. Gore.

Congressman Gore: I do not wish to have an argument over this question. I only quote the Secretary of the Treasury. He said that had the Knutson bill passed in the fiscal year '47 we would have had a deficit instead of a surplus and I can cite the record on that.

Mr. Denny: Senator Cain?

Senator Cain: One reason, Mr. Gore, we have trouble in following your authority is that he has been quoted before, in our opinion, to the detriment of this country, because I think the present Secretary of the Treasury has been the one who has estimated one figure after another, none of which have realistically turned out to be so, so far. I think on the basis of the income coming to this country against its expenditures that we will again, in answer to the very nice gentleman who posed that question, accomplish a debt reduction of 2.6 billions, and I certainly hope with you, sir, that we are able to do it. *(Applause.)*

Mr. Denny: Thank you. The gentleman over on the other side.

Man: For Mr. Keyserling. If income taxes are based on the ability to pay, how do you justify per capita reduction of $40, regardless of individual earning power?

Mr. Keyserling: Well, I justify it on this ground: that one of the most common complaints we've heard about our tax system is that it sacrifices simplicity. Now if you have a $40 deduction for each person, most of the benefits will go to those in low and moderate incomes, because that's where most of the people are. Now it is per-

fectly true that the $40 per person would go equally to people with high incomes, but in their case, it would be such a small reduction as related to their income and such a small part of the tax total, that it wouldn't amount to very much.

Certainly in any event, a reduction of that kind is far more in accord with ability to pay than any alternative proposal which provides very large dollar tax reductions in the higher income brackets and in fact, smaller tax reductions in the very low brackets than the President's plan does. *(Applause.)*

Mr. Denny: Thank you. The gentleman over there.

Man: Mr. Lasser. My name is Cain, too.

Mr. Denny: Of Seattle?

Man: No. Pennsylvania. Mr. Lasser, how much of an income of the people who would benefit most by the President's plan do you estimate is derived from stock dividend?

Mr. Lasser: I'd say about ten billion dollars.

Man: The people, I say, who the Democrats feel would gain the most.

Mr. Lasser: The people would lose, because they would not receive the dividends of $3,200,000,000, and the Government would lose.

Man: I think you miss the question, Mr. Lasser. I said how much of the income of the people who stand to gain the most under the President's plan do you estimate comes from stock dividends?

Mr. Lasser: I'll have to refer you to Mr. Keyserling who has some of the statistics and studies that have been made by the various governmental agencies. I do want to call one situation to your attention under the Knutson plan. Under the President's plan, taxpayers with incomes up to $3,000 would receive total tax relief of $2,250,000,000. Under the Knutson plan, the same taxpayers would receive total relief of an additional $625,000,000, or a total of about $2,900,000,000.

Under the President's plan, taxpayers with incomes of $5,000 would receive total tax reductions of about three billion. Under the Knutson plan, the same taxpayers would receive tax relief of $4,200,000,000, or an additional tax reduction of $1,200,000,000.

Mr. Denny: Thank you. Here's Mr. Keyserling with some figures on that.

Mr. Keyserling: Well, the question was raised as to what kind of people are receiving stock dividends, and how they would be effected by these plans. I haven't got the figures on dividends, but I do have the figures on income.

In 1947, even in a period of inflation and high national income, one-fifth of the families in the country had incomes of less than $1,000 a year, two-fifths had incomes of less than $2,000, and

nore than a half had incomes of ess than $3,000.

Now I would presume that those amilies who would be mostly ffected by the tax remission plan re not large recipients of stock lividends, and the further evidence of that is contained in the fact hat those are the families who, over the last year or two, have been dipping into their very lender savings, accumulated during the war, and are cashing in heir war bonds. So for that reason, think it may fairly be said that he greater part of the benefit under the President's tax plan vould go to these lower income amilies. *(Applause.)*

Mr. Denny: Senator Cain?

Senator Cain: I think in answer nd response to Mr. Cain from the udience, that I would speak in hat sense in support of Mr. Keyerling's contention just made, that nost of the benefits to be derived rom the President's proposal vould undeniably go to hundreds of thousands of American citizens vho, on the other hand, do not benefit from dividends received rom corporations. But one of the esistances I and others have to he President's program, is that it sn't equitable, and it isn't fair. Let me say to the gentleman by he name of Cain out there, which enjoy very much, that we think hat every class, every group, and very congregation of people in his great country are as deserving of equal treatment as the other. *(Applause.)*

Mr. Denny: Did you have something else to say, Mr. Keyserling?

Mr. Keyserling: Well, I just wanted to make one remark. I thought one of the principles that almost everybody in the country was agreed upon was the principle of progressive taxation. Progressive taxation, since the income tax laws were first established, never have and presumably never will provide equal treatment. They provide equitable treatment.

Now during the war, we had to raise so much revenues that the incomes of low income families were taxed much more as against their previous tax payments than any other group. The President's tax plan is a beginning of a restoration of the customary gap between the taxes of high and low income families. *(Applause.)*

Mr. Denny: Thank you. The lady.

Lady: My question is addressed to Senator Cain. Why does not your legislative branch sponsor the plan made by Baruch whom we all know has the true interests of our country at heart?

Senator Cain: You are referring, I suppose, to his recent declarations before Congress when he appeared as a witness before several committees. The only answer I can give you is that the Congress as individuals and collectively is studying what Mr. Baruch and a lot of other Americans have said

and expressed themselves as being recommendations. There isn't any man on the face of the earth who can answer you as to why a Congress doesn't immediately put into effect a program of suggestions which it presently, for your benefit, I hope, is seriously thinking and studying.

Mr. Denny: The gentleman in the balcony.

Man: I am a sales representative of the General Electric Company. I address my question to Congressman Gore. Why soak business now, while an honest effort is being made, generally, to reduce prices even with shorter profits and the facing of keener competition?

Mr. Denny: Well, at least General Electric reduced prices, so he's on sound grounds. Go ahead, Mr. Gore.

Congressman Gore: The President has not proposed a soak-the-business program. He has only proposed a program of excess profits tax on those comparatively few corporations, who because of fortuitous circumstances to them are making abnormally high profits. I do not know why we should abandon taxation according to ability to pay. Surely these particularly favored corporations are more able to pay than people who are having a hard job eating and sleeping under a dry roof. *(Applause.)*

Mr. Denny: Thank you. This lady.

Lady: Mr. Keyserling, does Knutson plan offer more pro tion to older individuals living savings than the Harvard pro sor's recent plan to exclude sav from taxes?

Mr. Keyserling: Well, I d think much of the plan introdu recently by Professor Slichter the *New York Times,* if yo referring to that, to encourage ings by lower tax rates, becau think the chief problem is respect to the people who c save now, and who are eating their savings. Those are the people who need to be hel There is plenty of saving for poses of business investment go on now, as I tried to indica little earlier.

Mr. Denny: Thank you. Lasser, you have a comment?

Mr. Lasser: I have a comn on the question of those pe who are over 65 years and are ing off their savings or are tired on some sort of a pen plan when the dollar was real dollar. Under the Knutson there is provided an additi $600 exemption for that typ people—65 and over. It may prise you to know that this exe tion affects 3,700,000 people are now paying taxes. *(Applau*

Mr. Denny: Thank you. Gore?

Congressman Gore: Ther another provision of the Knu Bill. It provides a cut in government revenue of more

5 billion dollars a year and would bring about more deficit financing. Again I would like to have one of the speakers tell me whether they think that is in the interest of the national welfare. *(Applause.)*

Mr. Denny: Thank you. You have about 10 seconds, Senator.

Senator Cain: Well, I might suggest that quite obviously we don't. We think if that Knutson tax plan, or any version of it, is to be passed that it will not result in a deficit, which obviously would be bad for the good of this country.

Mr. Denny: Thank you, Senator Cain. Now, while Senator Cain and Congressman Gore prepare their summaries for tonight's question, here's a special message of special interest to you.

Announcer: Following each Town Meeting and most Town Hall lectures, the question most frequently asked is "What can *I* do?" All over America, the people are organizing themselves as members of clubs, discussion groups, lecture courses and political action groups — some good, some bad, some indifferent.

There is a great resurgence of interest in public questions on the part of the people, but there is as yet no educational pattern which has taken form in the field of adult education comparable to schools and colleges for the more basic type of education.

Our Town Hall, in New York, is attempting to provide a pattern for a well-rounded center of adult education using lectures and making full use of radio and motion pictures.

Town Hall has issued a pamphlet written by Mr. Denny, containing a simple twelve-point program for everyone, answering the question, "What can *I* do?" If you would like a copy of this little pamphlet, "What Can *I* Do?", send, send 10c to Town Hall, New York 18, New York.

Mr. Denny: Now our first summary by Senator Cain.

Senator Cain: Mr. Denny, and citizens everywhere. America, in my opinion, and in that, too, I think of Mr. Lasser, is in need of tax reduction, but the President's $40 tax proposal would turn out to be a fool's paradise. Since 1932 this Nation's government has passed thirteen tax bills, which constitute an Egyptian pyramid of burdens, inequalities, and inequities for nearly all taxpayers.

More than 25 per cent of the greatest national income any nation has ever known is presently being used to support our levels of government.

But every segment of our society must be given fair and reasonable treatment. The American individual and American business make up the team which presently enable America to support, aside from itself, a large part of the world. Mr. Truman would play one against the other. He was thinking about politics, not about reason, logic or common sense

when he tried to kid the American public with his $40 tax popsicle. The sooner we forget it, the better for all of America. *(Applause.)*

Mr. Denny: Thank you, Senator Cain. Now a final word from Congressman Gore.

Congressman Gore: You know a remarkably strange thing has happened. Although the Knutson bill would give tax relief to everybody—particularly fat reliefs to the big campaign contributors—although it would give reliefs to the blind and the old, and is advocated as a panacea for the world's ills, and a sure formula for a Utopian election, it is entirely non-political. *(Laughter and applause.)*

The principal issue that Truman has raised by his tax recommendation is whether, in an insecure world, we can now afford the luxury of a 6 billion dollar cut in Uncle Sam's income, or whether we shall, as President Truman proposes maintain a government income during this period of maximum employment and national income and retire a substantial part of this 275 billion dollar war d The crucial question is, unless can pay something on our d now, when can we? *(Applaus*

Mr. Denny: Thank you, C gressman Gore. Now, let me mind you, our listeners, if want a copy of tonight's dis sion, you may obtain it by send 10 cents to Town Hall, New Y 18, New York.

While we're on the subject business and taxes, we'll tak good look next week at the big private businesses in Ame which also pay the biggest ta Our subject will be "Is Big B ness Too Big?" Our speak will be Senator Joseph O'Mahoney, Democrat of Wy ing; Joseph W. Frazer, presid of the Kaiser-Frazer Corporat Morris L. Ernst, prominent N York attorney; and Emerson Schmidt, director of economic search of the United States Ch ber of Commerce in Washing So plan to be with us next Tues and every Tuesday at the sound the Crier's Bell. *(Applause.)*